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**ARIZONA CORPORATION COMMISSION**

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April 18, 2003

Chairman Marc Spitzer  
Commissioner Jim Irvin  
Commissioner William Mundell  
Commissioner Jeff Hatch-Miller  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Re: APS Application for Approval of Rate Adjustment Mechanisms  
Docket No. E-01345A-02-0403

Dear Colleagues and Parties to Docket:

I am taking this opportunity to comment in the docket in the above captioned matters on certain issues raised by these proceedings. Commission Decision No. 61973 modified and approved the 1999 APS Stranded Cost Settlement Agreement. In relevant part, Decision No. 61973 provided that the Commission would approve a **purchased power adjustor** for APS. The Order states, "Part of the justification for the PPA was the fact that these costs would be outside of the Company's control...As a result, we will approve the concept of the PPA as set forth in Section 2.6(1) with the understanding that the Commission can eliminate the PPA once the Commission has provided reasonable notice to the Company."

The APS adjustor application in this docket asks the Commission to approve an adjustor that passes through several kinds of costs. For example, these include: purchased power, fuel costs, transmission costs and costs incurred in establishing an RTO. Circumstances have changed since the Commission decided Decision No. 61973. The record is well established that in 1999, this Commission and the utilities believed that IOUs would move all of their generation assets to an unregulated affiliate. With the "Track A" decision, that movement came to a sudden halt. We are now in a situation where some generation assets are still owned by the regulated utility. I believe we as a Commission should view this case in the context of the present situation reflected in the evidentiary docket in this case, and in light of the Commission's recent decisions.

Procedurally, there is a schedule in place for the parties to file briefs in the APS adjustor docket now that the evidentiary hearings have concluded. Although I have not decided or come to any opinion on the matters presented in this docket, I have concerns on certain issues raised during the course of these proceedings. The purpose of this letter is to highlight those concerns by filing this letter in the docket, and to request the parties to address these specific issues in their briefs.

These issues of concern are as follows:

*Does Decision No. 61973 require the Commission to approve the establishment of an adjustor for APS that includes costs other than purchased power costs?*

*If Decision No. 61973 does not require approval of the establishment of the APS adjustor as applied for, what is the basis for its approval, including a discussion of any legal basis requiring approval or rejection of costs included by APS?*

*If the Commission establishes an adjustor for APS (as applied for or otherwise), what are the merits of the Commission explicitly reserving the right of Commission modification of an adjustor established in this docket in the full rate case APS is to file in June 2003? Specifically, since the adjustor will not be implemented until the APS rate case is decided, what is the harm of any explicit review of establishment and implementation of an adjustor at the time of the rate case?*

I look forward to reading the parties' briefs concerning the issues I have identified.

Sincerely,



Mike Gleason  
Commissioner